

Message Text

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PAGE 01 STATE 151560

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ORIGIN SS-10

INFO OCT-01 ISO-00 /011 R

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DRAFTED BY S/S-O:RBMCMULLEN

APPROVED BY S/S-O:RELTZ

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O 151160Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO IMMEDIATE

C O N F I D E N T I A L STATE 151560

EXDIS

FOR SIMON PARTY/BENNETT

FOLLOWING REPEAT STATE 151560 (EXDIS) SENT ACTION JIDDA INFO

ABU DHABI AMMAN BEIRUT BONN BRUSSELS DHAHREN KUWAIT LONDON PARIS

TEHRAN TEL AVIV TOKYO TRIPOLI DATED 13 JUL 74

QUOTE

C O N F I D E N T I A L STATE 151560

EXDIS, BEIRUT PASS USINT BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, SA

SUBJECT- SAUDI POSITION ON OIL PRICES

REF: JIDDA'S 3958

1. WE HAVE ALREADY INFORMED YAMANI DIRECTLY AND THROUGH YOU THAT WE THINK AUCTION IS GOOD IDEA, ESPECIALLY ASSUMING MAJOR PORTION COMES FROM INCREASED PRODUCTION. YOU MAY REITERATE THIS TO YAMANI IF YOU THINK THIS IS NECESSARY.

WE SHARE YOUR CONCERN OVER SAUDI INTENT TO PROPOSE FREEZE OF POSTED PRICES. YOU MIGHT TELL YAMANI THAT, WHILE WE APPRECIATE PURPOSE OF AVERTING FURTHER INCREASES, WE WONDER WHETHER PROPOSAL WOULD NOT BE INTERPRETED AS REVERSAL

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SAUDI POSITION TO PRESENTLY EXCESSIVE LEVEL OF OIL PRICES.

IT SEEMS TO US THAT ANY DECISION ON POSTINGS MIGHT BETTER AWAIT RESULTS OF AUCTION. SAUDI DEMARCHE ON THIS SUBJECT MIGHT APPROPRIATELY BE MADE IMMEDIATELY PRIOR TO THE OPEC MEETING.

2. WHILE WE SUPPORT AND WANT TO CONTINUE ENCOURAGE SAG EFFORTS TO REDUCE PRICES IT IS NOT OUR POLICY OR OUR DESIRE TO GET INTO PRICE NEGOTIATIONS WITH YAMANI OR OTHER OIL PRODUCING COUNTRIES. WE THINK IT PREFERABLE THEREFORE NOT RPT NOT TO SUGGEST REDUCTION OF PRICES NOW IN RETURN FOR SCHEDULED INCREASES IN LATER YEARS OR TO SPECULATE WITH SAUDIS ON COST OF ALTERNATIVE ENERGY. KISSINGER UNQUOTE

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